

9-17-04

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

PUBLIC UTILITIES  
COMMISSION

SEP 17 3 40 PM '04

FILED

---- In the Matter of ---- )  
 )  
PUBLIC UTILITIES COMMISSION ) DOCKET NO. 03-0371  
 )  
Instituting a Proceeding to Investigate )  
Distributed Generation in Hawaii )  
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RESPONSE OF HAWAII RENEWABLE ENERGY ALLIANCE

TO

SUPPLEMENTAL INFORMATION REQUESTS FROM VARIOUS PARTIES

ON

HREA'S T-1 (WARREN S. BOLLMEIER II) DIRECT TESTIMONY

AND

CERTIFICATE OF SERVICE

Warren S. Bollmeier II, President  
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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

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PUBLIC UTILITIES COMMISSION ) DOCKET NO. 03-0371  
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The Hawaii Renewable Energy Alliance (HREA) hereby submits its response to Supplemental Information Requests (SIRs) from various Parties on our T-1 Direct Testimony (Warren S. Bollmeier II), dated and submitted to the Public Utilities Commission (PUC) on September 17, 2004 in accordance with the PUC's Prehearing Order Number 20922 (Reference Docket No. 03-0371).

**I. INTRODUCTION**

HREA received SIRs from the following Parties: A. HECO (see pages 3 to 4), and B. Kauai Island Utility Cooperative (see page 5). HREA's response, prepared by its President (Warren S. Bollmeier II), is included in Section II.

Please note that the SIR format, including numbering system, is as received from the individual Parties.

1 **II. RESPONSE TO INFORMATION REQUESTS FROM THE VARIOUS PARTIES**

2 **A. HECO**

3  
4 **HECO/HREA-DT-SIR-1 Ref: HREA Response to HECO/HREA-DT-IR-1**

5  
6 **Is HREA aware that capacity payments made to third parties are not recovered by the**  
7 **utilities until such time as a rate case is conducted and the amounts are allowed to be**  
8 **incorporated into rates?**

9  
10 HREA Response: Yes, and we also believe there have been cases in the past where the  
11 installation of an Independent Power Plant has occurred shortly before a rate case.

12  
13 **HECO/HREA-DT-SIR-2 Ref: HREA Response to HECO/HREA-DT-IR-2**

- 14  
15 **a. Does HREA take into consideration the degree of financial leveraging of the**  
16 **utilities versus third parties? If yes, please fully explain how HREA takes into**  
17 **consideration the degree of financial leveraging of the utilities versus third**  
18 **parties.**

19  
20 HREA Response: No

- 21  
22 **b. What does HREA understand the utility debt/equity ratio to be?**

23  
24 HREA Response: HREA understands the utility debt/equity ratio for HECO to be approximately  
25 0.74, based on HECO's debt (short-term borrowings and long-term) of \$829M and equity  
26 (preferred and common stock) of \$1,012M as of June 30, 2004.<sup>1</sup>

27  
28 **HECO/HREA-DT-SIR-3 Ref: HREA Response to HECO/HREA-DT-IR-3, subpart a.**

29  
30 **Please explain how the utilities acquire detailed knowledge of a customer's energy**  
31 **usage beyond the meter, including electricity and thermal energy usage.**

32  
33 HREA Response: The utilities acquire detailed knowledge of a customer's energy usage  
34 beyond the meter, including electricity and thermal energy usage by talking to the customer.

35  
36 **HECO/HREA-DT-SIR-4 Ref: HREA Response to HECO/HREA-DT-IR-3 subpart b.**

37 **Please describe HREA's understanding of the scope of services offered by energy**  
38 **services companies.**

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<sup>1</sup> Reference page 99 of HECO's 10-Q Quarterly report to the Securities and Exchange Commission, which was filed on August 5, 2004.

HREA Response: HREA would like to thank HECO for this excellent, albeit potentially open-ended question. Overall, energy service companies (ESCOs) provide a scope of services to meet requests as solicited from potential customers and/or based on ESCO marketing efforts. HREA can envision a wide range in the scope of services, including but not limited to:

1. Provision of traditional demand-side, energy-efficiency measures (such as energy efficient lighting, insulation, load management, etc.) in conjunction with or independent of existing utility Demand-Side Management (DSM) programs via a purchase contract or a performance based contract basis;
2. Installation of energy conservation devices (such as solar hot water systems) to customers in conjunction with or independent of existing utility DSM programs;
3. Installation of renewable energy systems (such as PV and wind systems) to customers in conjunction with or independent of existing utility net energy metering programs;
4. Installation and operation of a CHP system to a customer via a purchase contract (customer owns and operates) or a performance based contract (ESCO owns and operates) basis. Note: the ESCO might also offer O&M services to a customers that chooses to own the CHP system; and
5. Installation and operation of a CHP system to the utility via a purchase contract (utility owns and operates) or a performance based contract (ESCO owns and operates) basis. Note: the ESCO might also offer O&M services to a utility that chooses to own the CHP system;

Note: in addition to the listed services, the ESCO would likely provide additional services as requested by the customer or the utility. For example, the ESCO could provide:

1. a guaranteed level of reliability, as defined with the customer or the utility,
2. a guaranteed level of power quality, as defined with the customer or the utility, and
3. ancillary services to the utility, e.g., voltage support, frequency regulation, etc.

1 B. Kauai Island Utility Cooperative

2 KIUC/HREA-DT-SIR-1 Ref: KIUC/HREA-DT-IR-2

3  
4 In its response to KIUC/HREA-DT-IR-2, HREA states "... there is a strong basis for a  
5 competitive market on Kauai..." (lines 24-25, page 13)."

- 6  
7 a. Please explain what competitive market HREA is referring to (i.e., the  
8 competitive market involving the utility retail rate versus the effective energy  
9 rate of a customer-sited DG/CHP or the competitive market as defined in  
10 Docket No. 03-0372).

11  
12 HREA Response: HREA believes that we may have confused KUIC with our response and  
13 will elaborate briefly. First, we believe there is an opportunity for energy service companies to  
14 provide DG products and services on Kauai. HREA believes that the key elements are in place  
15 for there to be a vibrant competitive market on Kauai. Specifically:

- 16 1. Kauai's high retail prices provide opportunity for a number of DG providers and  
17 technologies to compete;  
18 2. Kauai has a large number of customers that would likely explore the benefits of DG  
19 systems, and with appropriate outreach, those customers would have access to the  
20 information they need to make purchase/investment decisions; and  
21 3. There is ample opportunity for a market to be structured to allow multiple DG  
22 providers to enter the market place without barriers and to put controls in place to  
23 ensure that a monopoly-situation does not develop.

- 24 b. Please explain how the competitive market on Kauai differs from the markets  
25 on the other islands, given the fact that the electric utility on the island of  
26 Kauai is not investor-owned, but rather owned by a tax-exempt entity owned  
27 by its member-customers who have the ability to receive patronage capital  
28 refunds depending on the financial performance of the utility.

29  
30 HREA Response: HREA does not believe there should be any significant differences  
31 between a competitive market on Kauai vs. any of the other islands. The primary issue  
32 continues to be the role of the utility whether KIUC on Kauai or the Companies on the other  
33 islands. In application, of course, there could end up being differences if the market structure  
34 is different on Kauai when compared to the other islands.

1  
2  
3  
4 **END OF HREA'S RESPONSE TO IRs FROM THE VARIOUS PARTIES**  
5

6 DATED: September 17, 2004, Honolulu, Hawaii

7   
8 President, HREA

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing "Response to SIRs from Various Parties" upon the following parties by causing a copy hereof to be hand-delivered or mailed, postage prepaid, and properly addressed the number of copies noted below to each such party:

Party		Party	
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Dated: September 17, 2004

  
President, HREA